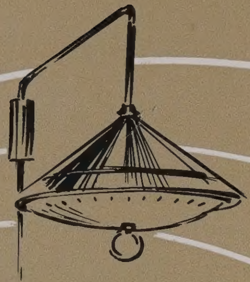
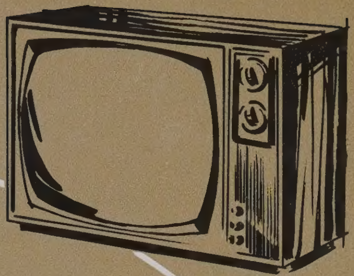
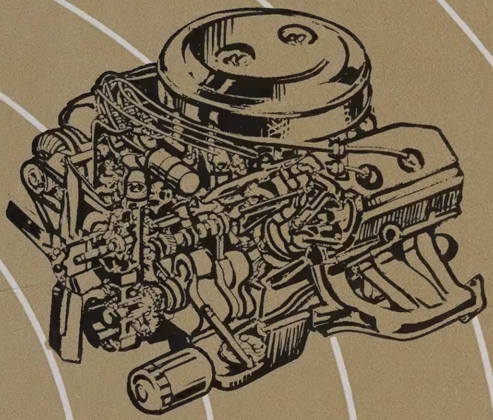
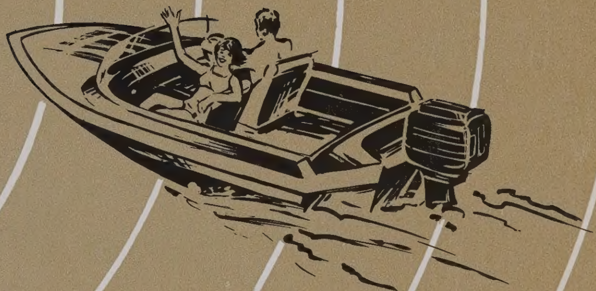
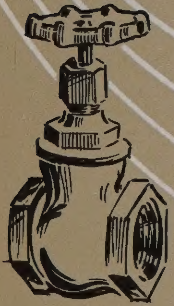


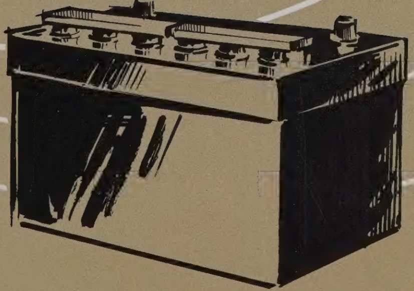


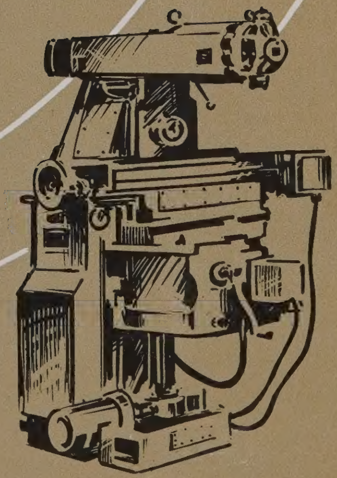


ACKLANDS LIMITED









Annual Report 1972

Highlights

	1972	1971 (as restated)
Sales	**$142,379,712**	$123,811,177
EARNINGS FOR THE YEAR		
Including extraordinary items	**5,654,370**	1,197,590
Before extraordinary items	**3,486,645**	861,120
WORKING CAPITAL	**34,136,083**	23,397,973
FIXED ASSETS, net	**14,425,869**	13,175,725
LONG-TERM DEBT	**24,621,662**	17,194,685
SHAREHOLDERS' EQUITY	**24,517,691**	20,023,029
Total Assets	**80,899,859**	72,921,270
DIVIDENDS PAID		
Preference shareholders	**589,725**	53,904
Common shareholders	—	—
EARNINGS PER SHARE (see note)		
Including extraordinary items	**2.16**	.35
Before extraordinary items	**1.28**	.22
DIVIDENDS PAID PER COMMON SHARE	—	—
Equity per share (COMBINED COMMON AND THIRD PREFERENCE SHARES)	**7.81**	5.60
NUMBER OF BRANCHES	**196**	191

Note:
For calculation of earnings per share please refer to Note 9 of the Consolidated Financial Statements.

ACKLANDS LIMITED and subsidiary companies

Directors

Philip Ashdown, B.A., LL.B., M.B.A.,
Barrister and Solicitor, Winnipeg, Manitoba

*Hyman Bessin, *President*

*Donald E. Boxer, B. Comm., M.B.A.,
Investment Dealer, Director Burns Bros. and Denton Limited, Toronto

Michael H. Caine,
Director, Booker McConnell Ltd., London, England

*George Forzley, *Senior Vice-President and General Manager*

Henry R. B. Kirkpatrick, *Vancouver, British Columbia*

*Nathan Starr, C.A., *Executive Vice-President*

Dr. Nathan Schecter, B.Sc., M.D., C.R.C.P.(C), F.A.C.P., F.I.C.A.,
Physician, Ottawa, Ontario

*Donald J. Wilkins,
Chairman of the Board, Fry Mills Spence Limited, Toronto

Joseph Wolinsky, *Winnipeg, Manitoba*

*Leonard Wolinsky, *Chairman of the Board*

**Members of Executive Committee*

Transfer Agents and Registrars

Common Shares
The Canada Trust Company, Vancouver, Winnipeg, Toronto and Montreal

First Preference Shares Series A and 7½% Series A Debentures
The Crown Trust Company, Vancouver, Winnipeg, Toronto and Montreal

Counsel

Sokolov & Company, Winnipeg

Auditors

Thorne, Gunn & Co.

Fiscal Agents

Fry Mills Spence Limited, Toronto

Listings

Toronto, Vancouver and Winnipeg
Stock Exchanges

Head Office

125 Higgins Avenue, Winnipeg, Manitoba
R3B 0B6

Executive Office

230 Lesmill Road, Don Mills, Ontario

Officers

Leonard Wolinsky,
Chairman of the Board

Hyman Bessin,
President

Nathan Starr, C.A.,
Executive Vice-President

George Forzley,
Senior Vice-President and General Manager

Norman A. Peden,
Vice-President, Western Canada

Donald J. Dawson,
Vice-President, Eastern Canada

Samuel H. Blank,
Vice-President, Director of Purchasing

Arnold Glass, B. Comm., C.A.,
Secretary-Treasurer

Alex Kozma,
Vice-President and General Manager, Saskatchewan

Arnold H. Main,
Vice-President and General Manager, Western Automotive Rebuilders

Daniel Stack,
Vice-President, Mergers and Acquisitions

Leonard J. Kenna,
General Manager, Ontario

Victor A. Aker,
General Manager, British Columbia

Douglas G. Cumming,
General Manager, Alberta

Donald T. Langton,
General Manager, Quebec

David M. Craig,
General Credit Manager

Allan Ireland,
Assistant to the Senior Vice-President, Inventory Control

Leonard G. Walker, C.A.,
Manager, Internal Audit

Report to Shareholders

We have great pleasure in presenting on behalf of your board of directors the results of Acklands' operations for the fiscal year ended November 30, 1972.

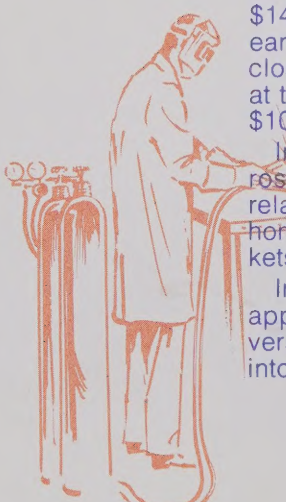
Your company continued in 1972 to expand its share of the Canadian wholesale distribution market and to improve its earnings performance. It is worth noting that profits exceeded management's earlier estimate well beyond expectations.

The substantial increases in sales and earnings were generated entirely from within the company's own operations as no new corporate acquisitions were made during the year under review. Growth was achieved both through improved performance of existing branches and the added business volume produced by newly created outlets. The directors are pleased to report that your company's pre-tax profit margin on sales rose from 1.6% in 1971 to 4.5% for the year under review, the highest in the company's history. These favourable results are the attributable to improved gross margins and the continued tight expense control exercised at all levels of operations.

Financial

Consolidated net income for the year ended November 30, 1972 after income taxes and minority shareholders' interest, amounted to $3,486,645, against $861,120 (as restated) in the preceding year. Earnings per share, excluding extraordinary gains were $1.28 compared to 22¢ (as restated) in 1971. This highly satisfactory profit performance was achieved on sales of $142,379,712, compared to $123,811,117 a year earlier. Overall volume of sales increased by close to $20 million or 15%. Working capital at the end of 1972 fiscal year was $34,136,083, $10,738,110 more than in 1971.

Investment in inventory, as compared to 1971, rose 12%, with the increase being directly related to the need of serving the expanding home entertainment and leisure oriented markets.



In October 1972 management obtained the approval of share and bond holders for the conversion of $10 million of Acklands' current debt into long term bank loans. These loans carry an interest charge of 1¼% above the prime lending rate, and are repayable over a period of seven years.

During 1972 the company purchased for cancellation first and second preference shares in the amount of $569,983.

Shareholders will have noticed that some of the 1971 figures have been restated. This was done to retroactively reflect the effect of certain tax reassessments received during last year. Full details in this respect are contained in item 4 of the Notes to Consolidated Financial Statements.

To simplify Acklands' share structure the directors called for the redemption on February 28, 1973 of the company's first preference shares. These shares have been redeemed at par value of $25.00 each, plus a redemption premium of $1.25 per share. The last and final quarterly dividend on the first preference shares was paid on February 28, 1973.

Acklands' series A, 6% cumulative, convertible and redeemable second preference shares have been advanced to the position of first preference. Your directors have decided that dividends on these shares henceforth be paid on a quarterly instead of semi-annual basis. Accordingly the quarterly dividend of 24¢ per share on this class of shares was paid on February 28, 1973.

Under the by-law governing the company's third preference shares, these are convertible into common shares on a formula related to profits. As Acklands' earnings for the year 1972 satisfy the requirements set out in the by-law, all 867,285 third preference shares outstanding as of November 30, 1972 are being converted into Ackland's common shares without par value.

As a result of these measures your company's capital stock will now be represented by only two classes of shares, namely common shares and first preference shares.

Dividends

During the year under review your company cleared all arrears and resumed regular payments of dividends on its second preference shares. In view of improved 1972 earnings and the encouraging prospects for the current fiscal year, your directors recently decided to resume payments of quarterly dividends on Acklands' common shares. The first payment to shareholders of record May 18, 1973, is due May 31, 1973.

Corporate Policy

While the main thrust of management activity in 1972 was directed towards an expansion from within and improving profitability, a great deal of thought and effort was devoted to defining and developing an acquisition policy for the company. To this end the new position of a vice-president in charge of mergers and acquisitions was formed and entrusted to a consultant highly qualified for the job. A number of possibilities and opportunities have been explored, with a view towards obtaining higher returns on invested capital.

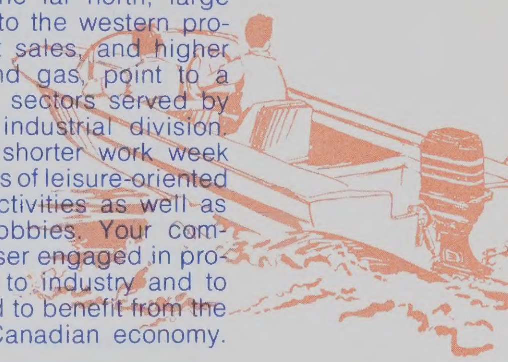
New Developments

Early in the current fiscal year Acklands acquired for cash two automotive wholesale companies, Regent Automotive Products and Britannia Automotive Products, both operating as warehouse distributors in the Toronto and southern Ontario areas. These companies are profitable and no change in their management is anticipated. With most of Acklands' business originating in western Canada these acquisitions are aimed at increasing Acklands penetration in Ontario. Also this year, your company acquired for cash Kagan Muffler Installations Limited which operates five installation depots in Edmonton, Alberta. Although relatively small, the acquisition of Kagan is significant insofar as it marks Acklands' entry into the field of retail automotive service.

As reported earlier your company is considering entry into the CATV industry. In management's view this is an area of business that holds great promise of growth and profitability. Some of your directors have for a number of years held control of seven cable TV systems in western Canada, which they were recently willing to sell to Acklands. After thorough examination of the proposed purchase as well as after discussions with the Canadian Radio and Television Commission and the Department of National Revenue, a decision on this project was postponed. However, bearing in mind that Acklands is a corporate citizen in many areas in western Canada where new licences will be granted in the near future and that members of its board have considerable experience in this field, your management feels that it should pursue its endeavours to enter the CATV industry.

Outlook

With the prospects of a continuing strong Canadian economy the outlook for the wholesale distribution industry is one of sustained growth and higher earnings. Intensified exploration and development activities in the far north, large amounts of cash flowing into the western provinces from capacity wheat sales, and higher well-head prices for oil and gas, point to a good year for the business sectors served by Acklands' automotive and industrial division. A steady trend towards a shorter work week augurs well for the distributors of leisure-oriented products serving outdoor activities as well as home entertainment and hobbies. Your company, as a major merchandiser engaged in providing goods and services to industry and to the consumer, is well placed to benefit from the anticipated growth in the Canadian economy.



Acknowledgements

It is with sorrow and regret that we have to advise you of the death of John Dawson, a former vice-president and director of the company. Mr. Dawson has served Acklands for a number of years and will be missed by the many friends he had among the company's staff and employees.

The board of directors is most appreciative of the continued support and confidence shown by Acklands' shareholders. The directors also wish to express their gratitude to the company's employees at all levels of responsibility for their loyalty and efforts which have contributed greatly to the company's success.

On behalf of the board,

Leonard Wolinsky
Chairman

Hyman Bessin
President

Winnipeg, Manitoba
March 14, 1973

Operations

From an operational point of view Acklands is divided into six provincial areas. Within each area sales are organized into divisions, based on product lines. These are:

- Automotive and Industrial
- Home Entertainment and Electronics
- Leisure Products
- Steel
- Mercantile Hardware (now discontinued)

These five divisions produced approximately 99% of the company's revenues. Mackie Data, Westward Investments and Acklands Leasehold Properties are grouped for administrative purposes into a separate Corporate Services division.

Automotive and Industrial

This has been historically the most active division of your company, with automotive and industrial sales providing 50.9% of Acklands' 1972 revenue. Keenly aware of new or increasing business opportunities, the company established during the last year additional automotive and industrial branches in twelve locations across Canada bringing the number to 160.

This division distributes a wide range of automotive and industrial parts and supplies to dealers, government agencies, institutions and end users. Product lines are continually updated following or anticipating demand in particular areas of industrial development. Acklands continues to be one of Canada's largest distributors of hand tools. Sold mostly under proprietary labels, these tools have established an excellent reputation in Canada.

Compared to 1971, business volume of the automotive and industrial division as a whole, increased by approximately 11%. Western Warehouse Distributors, an operation within this division showed a 21% improvement in sales as the result of an intensified effort to bring new independent jobbers into its Jobber Associate program.

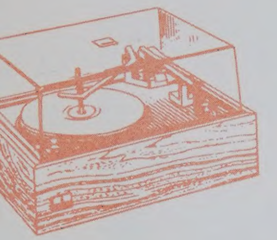
The recent acquisition of Regent Automotive Products and Britannia Automotive Products has enabled the company to extend its Jobber Associate program into the province of Ontario.

Within the division, though not directly related to the provincial structure, are three other organizations operating in the field of automotive and industrial parts and supplies. These are Peerless International, your company's U.S. subsidiary which has established a foothold in the vast American hand tool market. From a slow start, sales in 1972 have increased by 61.6% compared to the previous year. This relatively small company is now operating on a break-even basis with expectations of further sales expansion and a modest profit in 1973.

Western Automotive Rebuilders in Saskatoon is a major industrial operation within the Acklands organization. It is engaged in the remanufacture of automobile engines, brakes, clutches and other sub-assemblies. As a result of severe price competition, sales and profits of W.A.R. in 1972 did not show an increase compared to the previous year. However, the situation has now improved and the outlook for this operation is favorable.

Westward Distributors is Acklands' import organization. It specializes primarily in the importation of hand tools, air tools and related industrial products. Merchandise manufactured to the company's specifications in various countries throughout the world, is imported by Westward Distributors for sale in Canada and the U.S. In addition to distributing through Acklands' own branches, it sells directly to outside wholesalers, independent jobbers and mass merchandisers. Compared to 1971 sales of this profitable operation have increased by 33%.

The automotive and industrial division continues to offer the best potential of growth in sales and earnings within the Acklands merchandizing organization. The improvement for the next few years is expected to come from the steadily increasing number of new car registrations and at the same time, from the tendency of owners to keep their old cars in good condition and for longer periods, thus postponing the purchase of higher priced and less efficient new models. Governmental controls and regulations regarding auto safety and pollution will contribute to this increased demand forecast for replacement auto parts. Acklands' entry into the retail automotive service should also contribute to the anticipated improved performance of this division. As to the industrial sector, the expected high level of activity in the manufacturing and resource industries in Canada augurs well for Acklands' continued growth in this area.



Electronics and Home Entertainment

This division, engaged in the distribution of name brand television sets, radios, tape-recorders, records and pre-recorded tapes, TV replacement parts, and industrial electronic components, represented 20% of Acklands 1972 business volume. Strong sales of home entertainment products, including the new quadrophonic sound equipment, as well as the unprecedented demand for color television sets contributed to a very successful year for the division. To accommodate the increased inventories required to meet this demand, facilities in western Canada were expanded substantially in 1972 with further expansion planned for this year.

Economic forecasts indicate that consumer demand for home entertainment products will continue unabated this year.

Leisure Products

An important contributor to Acklands' sales and profits, this division markets a wide range of products oriented toward outdoor and leisure activities. Major items include brand name outboard and inboard motors, boats, motorcycles, snowmobiles, bicycles and lawn care and garden equipment.

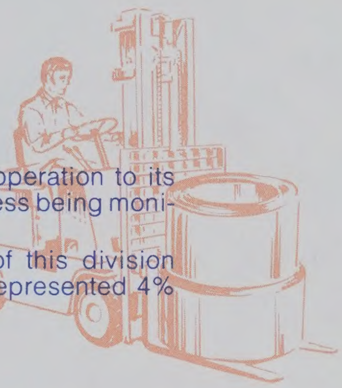
Sales in 1972 increased 43.9% with a corresponding rise in profits.

With the continuing trend toward more leisure time activities and a strong demand for the high quality equipment marketed by this division, the outlook is for further improvements in sales and earnings.

Steel

The 1972 results of operations of the steel division were disappointing. A decline in gross profit margins, combined with rising costs, prompted management earlier this year to close the Edmonton warehouse. The inventory has been sold and the warehouse facility now serves the leisure products division in northern Alberta.

In Ontario, where the division operates under the name of Steel Distributors Ltd., severe competition reduced gross profit margins. Steps have been taken to restore the operation to its traditional profitability with progress being monitored on a day-to-day basis.



The 1972 increase in sales of this division amounted to 3.3% and volume represented 4% of Acklands' revenues.

Mercantile Hardware

Following its policy of reducing investments in product areas of low profitability, Acklands continued in 1972 its withdrawal from the mercantile hardware business. After discontinuing operations in the prairie provinces and in northern Ontario, the company closed its last Thrifty Value warehouse in Vancouver in 1972.

Corporate Division

Although combined sales of the three operations comprising this division represent only 0.8% of Acklands' total business volume, they nevertheless play an important part in the Acklands organization.

The Mackie Data Centre in Winnipeg is a service facility equipped with a large-capacity, Burroughs 3500 computer. Mackie not only serves the Acklands organization but provides custom data processing and systems consulting for some fifty outside accounts. Concentrating its efforts on cable television, credit union and sales finance companies, Mackie has made excellent progress in the marketing of its data processing packages across Canada. The data centre has a substantial backlog of work and the outlook for the current fiscal year is encouraging.

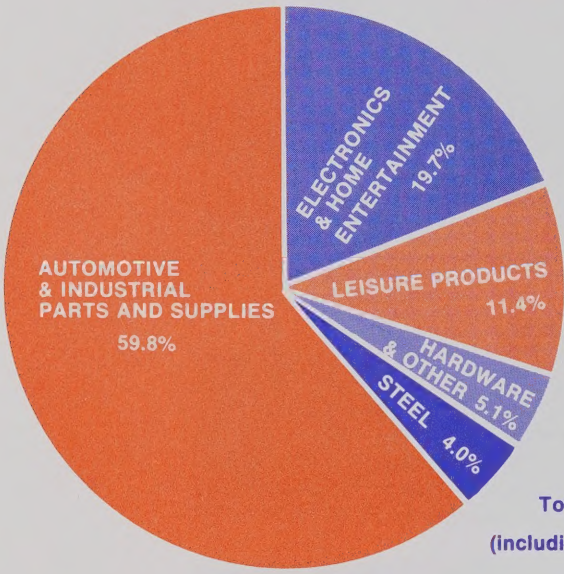
Acklands Leasehold Properties owns or manages approximately 300 properties in Canada. Most of these are occupied by the company for its own operations, with the remainder leased to outside tenants. A full service property-management organization, this company also handles new construction projects for Acklands.

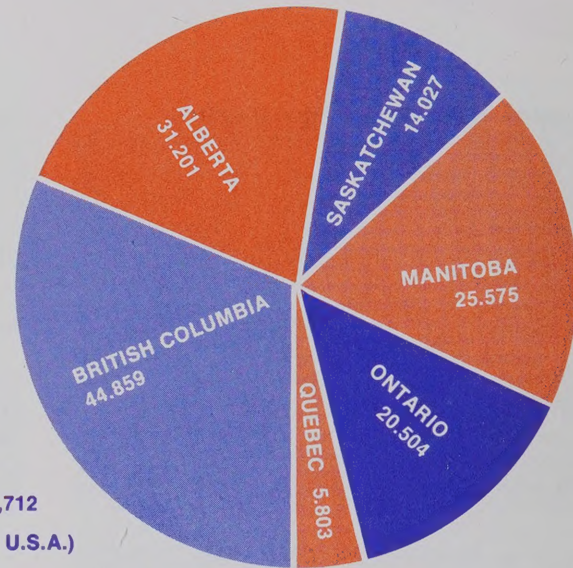
The third organization in this division is Westward Investments Ltd., a wholly-owned sales and lease finance company. It facilitates sales or long term leasing of equipment items marketed by Acklands. It also provides long term financing for the company's associated jobbers. Westward Investments has a portfolio representing a value of approximately $1.5 million.

Analysis of Sales *by Division*

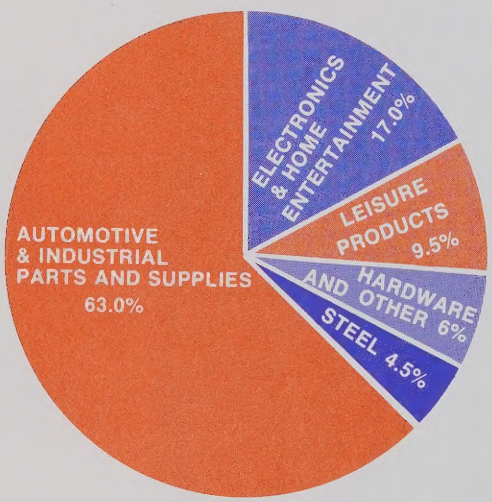
Analysis of Sales *by Province*

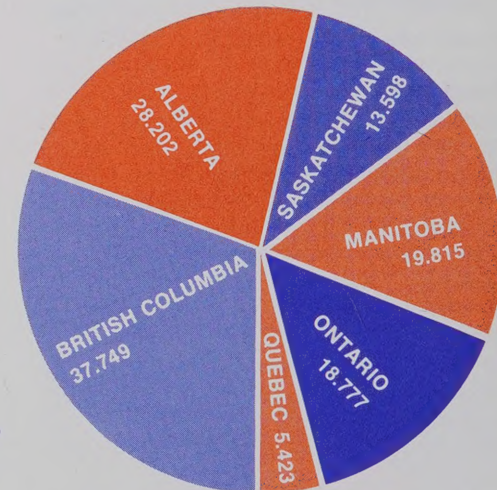
$ MILLION



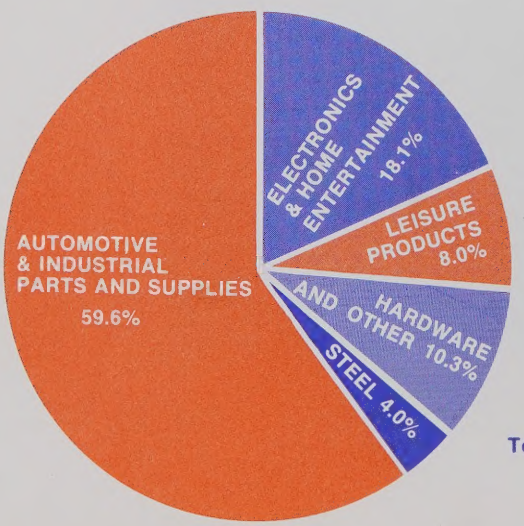


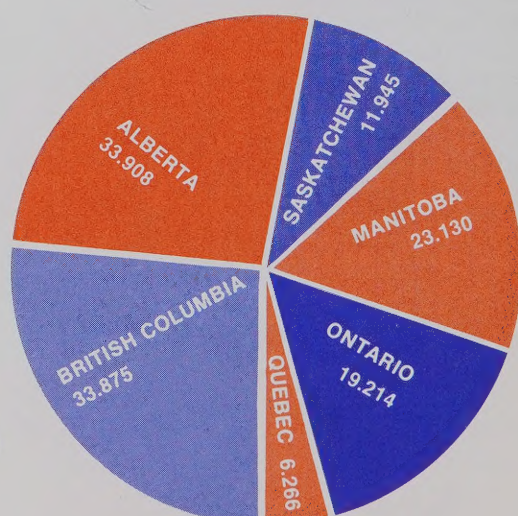
1972
Total Sales 142,379,712
(including 409,893 in the U.S.A.)





1971
Total Sales 123,811,177

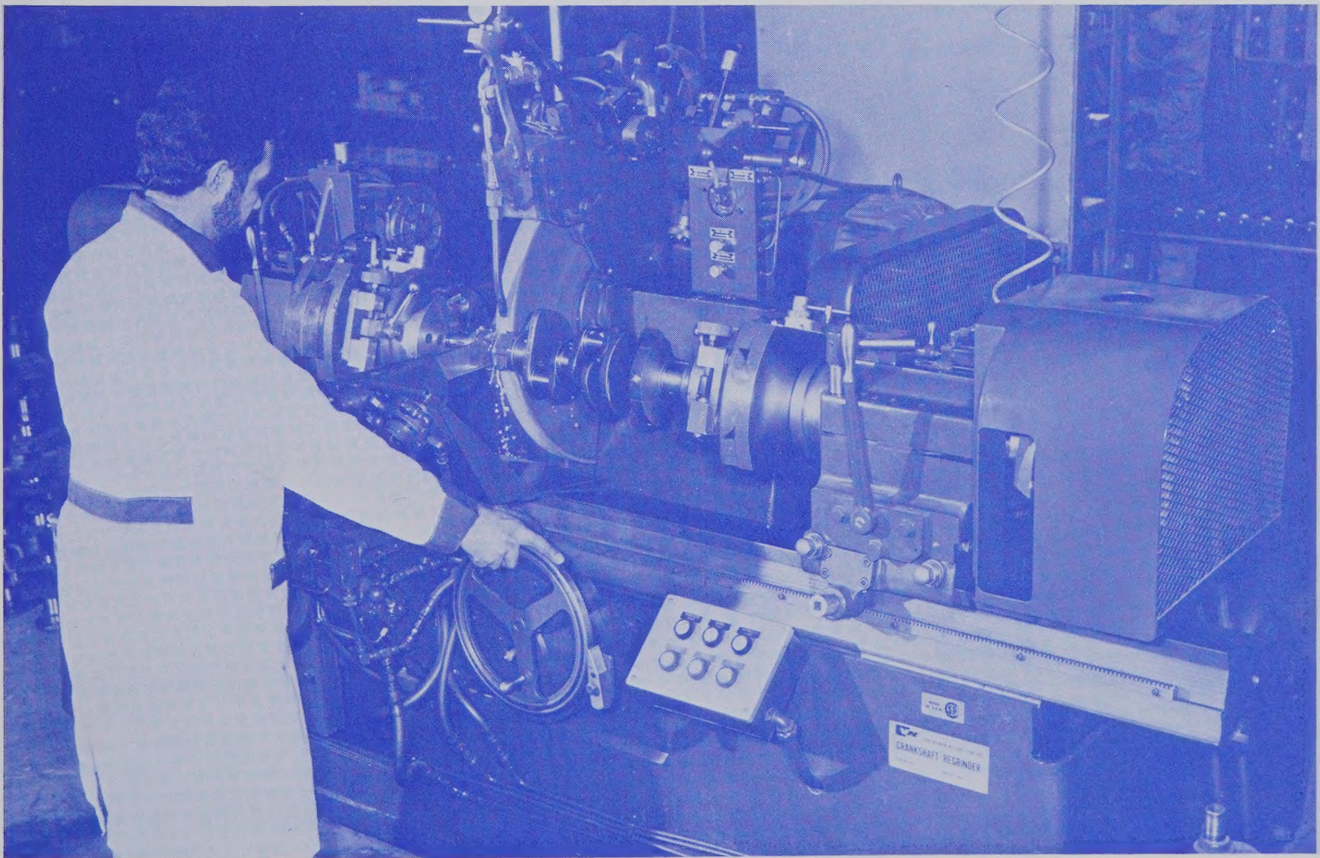




1970
Total Sales 129,362,581

WORK **LEISURE**

Acklands serves them both.



Precision crankshaft grinding at Western Automotive Rebuilders

ACKLANDS LIMITED and subsidiary companies
(Incorporated under the laws of Manitoba)

Consolidated Balance Sheet

November 30, 1972
(with comparative figures at November 30, 1971)

ASSETS	1972	1971
Current Assets		
Cash	$ 2,493,872	$ 3,169,676
Accounts receivable	23,685,841	20,640,301
Inventories, at the lower of cost and net realizable value	38,824,424	34,518,538
Prepaid expenses	117,558	66,375
	65,121,695	58,394,890
Other Assets		
Investment in 50% owned company (note 1)	464,191	455,719
Cash for first preference share purchase		50,000
Mortgages and lien notes receivable and other investments, at cost	888,104	844,936
	1,352,295	1,350,655
Fixed Assets (note 2)		
Land, buildings, equipment and leasehold improvements, at cost	24,333,249	24,198,441
Less accumulated depreciation	9,907,380	11,022,716
	14,425,869	13,175,725
	$ 80,899,859	$ 72,921,270

Approved by the Board

Nathan Starr, *Director*

George Forzley, *Director*

LIABILITIES

	1972	1971
Current Liabilities		
Bank advances (note 3)	**$ 7,307,510**	$ 11,200,000
Accounts payable and accrued liabilities	**17,248,532**	18,474,246
Income and other taxes payable (note 4)	**3,855,686**	4,324,718
Principal due within one year on long-term debt	**2,573,884**	997,953
	30,985,612	34,996,917
Long-Term Debt (note 5)	**24,621,662**	17,194,685
Deferred Income Taxes (note 4)	**476,084**	396,769
Interest of Minority Shareholders in Subsidiary Companies	**298,810**	309,870
SHAREHOLDERS' EQUITY		
Capital Stock (note 6)	**16,434,265**	17,135,343
Contributed Surplus	**454,197**	323,102
Retained Earnings	**7,629,229**	2,564,584
	24,517,691	20,023,029
	$ 80,899,859	$ 72,921,270

Contingent Liabilities and Commitments (note 7)
Long-Term Leases (note 8)

AUDITORS' REPORT

To the Shareholders of
Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited and subsidiary companies as at November 30, 1972 and the consolidated statements of income, retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at November 30, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.

Winnipeg, Canada
February 10, 1973 — *Chartered Accountants*

Consolidated statement of income

Year ended November 30, 1972
(with comparative figures for 1971)

	1972	1971 (as restated Note 4)
Sales	$142,379,712	$123,811,177
Cost of sales, selling and administrative expenses before the following	131,922,687	117,304,108
	10,457,025	6,507,069
Deduct		
Depreciation	850,665	1,050,969
Interest on long-term debt	1,321,993	1,395,118
Other interest	1,460,620	1,749,228
Remuneration of directors and senior officers	599,626	497,158
Gain on sale of fixed assets	(238,032)	(260,357)
	3,994,872	4,432,116
Income before income taxes, minority interest and extraordinary item	6,462,153	2,074,953
Income taxes (note 4)		
Current	2,877,925	1,071,005
Deferred	79,315	126,127
	2,957,240	1,197,132
Income before minority interest and extraordinary item	3,504,913	877,821
Interest of minority shareholders	18,268	16,701
Income before extraordinary item	3,486,645	861,120
Income tax reduction realized on the application of prior years' losses	2,167,725	336,470
Net income for the year	$ 5,654,370	$ 1,197,590
Earnings per share (note 9)		
Income before extraordinary item	$1.28	$ .22
Net income for the year	2.16	.35

Consolidated statement of retained earnings

Year ended November 30, 1972
(with comparative figures for 1971)

	1972	1971
Balance at beginning of year		
As previously reported	$ 6,451,250	$ 4,491,330
Prior years' income taxes (note 4)	(3,886,666)	(3,070,432)
As restated	2,564,584	1,420,898
Net income for the year	5,654,370	1,197,590
	8,218,954	2,618,488
Dividends on		
First preference shares	44,944	53,904
Second preference shares		
Arrears	272,390	
Current year	272,391	
	589,725	53,904
Balance at end of year	$ 7,629,229	$ 2,564,584

Consolidated statement of contributed surplus

Year ended November 30, 1972
(with comparative figures for 1971)

	1972	1971
Balance at beginning of year	$ 323,102	$ 8,029
Discount on purchase and cancellation of first preference shares	11,186	23,165
Discount on purchase and cancellation of second preference shares	119,909	291,908
Balance at end of year	$ 454,197	$ 323,102

Consolidated statement of source and application of funds

Year ended November 30, 1972

(with comparative figures for 1971)

	1972	1971
Source of funds		
Net income for the year	$ 5,654,370	$ 1,197,590
Items not involving current funds		
Depreciation	850,665	1,050,969
Gain on sale of fixed assets	(238,032)	(260,357)
Deferred income taxes	79,315	126,127
Increase in equity in 50% owned company	(8,472)	(131,912)
	6,337,846	1,982,417
Proceeds from sale of fixed assets	744,016	1,448,118
Reduction of mortgages receivable and other assets	715,445	25,770
Increase in long-term debt	10,598,812	
Other		800
	18,396,119	3,457,105
Application of funds		
Additions to fixed assets	2,606,793	1,342,807
Reduction of long-term debt	3,171,835	972,954
Dividends	589,725	53,904
Purchase of minority interest in subsidiary companies	11,060	7,764
Purchase of first preference shares	65,364	104,760
Purchase of second preference shares	504,619	512,092
Increase in mortgages receivable and other assets	708,613	221,950
	7,658,009	3,216,231
Increase in working capital	10,738,110	240,874
Working capital at beginning of year		
As previously reported	27,284,639	26,227,531
Prior years' income taxes (note 4)	(3,886,666)	(3,070,432)
As restated	23,397,973	23,157,099
Working capital at end of year	$ 34,136,083	$ 23,397,973

Notes to consolidated financial statements

Year ended November 30, 1972

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all subsidiary companies, all of which are wholly-owned with the exception of minority interest in preferred shares of two subsidiaries and a small minority interest in common shares of one subsidiary.

It is the company's practice to include in income its equity in net earnings of companies 50% owned and reflecting the investment in such companies at the value of their underlying net tangible assets.

2. FIXED ASSETS

	1972			1971
	Cost	**Accumulated depreciation**	**Net**	Net
Land	**$ 2,241,842**		**$ 2,241,842**	$ 2,269,176
Buildings	**13,102,820**	**$ 4,082,959**	**9,019,861**	7,622,222
Equipment	**7,984,706**	**5,464,163**	**2,520,543**	2,413,716
Leasehold improvements	**1,003,881**	**360,258**	**643,623**	870,611
	$24,333,249	**$ 9,907,380**	**$14,425,869**	$13,175,725

Depreciation has been recorded on a basis to amortize the cost of fixed assets over their estimated useful life.
The depreciation rates are substantially as follows

Buildings	2% straight-line
Equipment, other than automotive	10% straight-line
Equipment, automotive	30% diminishing balance
Leasehold improvements	Over the unexpired terms of the leases

3. BANK ADVANCES

Bank advances are secured by the assignment of accounts receivable, a first floating charge on inventories and a junior floating charge on other assets.

4. INCOME TAXES

(a) The company and certain of its subsidiaries received income tax re-assessments for the 1967 taxation year. The Department of National Revenue proposes to re-assess the companies for additional income taxes for the years 1968 to 1971 inclusive. Full provision has been made for these taxes payable, including accrued interest up to November 30, 1972. Retained earnings at the beginning of the year and the 1971 figures have been restated to retroactively reflect income taxes payable. These re-assessments relate, in the main, to inter company charges. In some of the companies these re-assessments have the effect of increasing the 1971 reported loss carry forwards by $4,360,950.

(b) Certain companies charge earnings with income taxes currently payable and also with income taxes deferred ($79,315 in 1972 and $126,127 in 1971) by claiming capital cost allowances in excess of depreciation recorded in the accounts. The accumulated amount of their income taxes so deferred is reflected in the balance sheet as "Deferred income taxes."

(c) In other companies and after giving effect to the matters referred to in paragraph (a) losses of $4,260,905 remain deductible in determining income taxes payable in future years as follows

Year of loss	Amount of loss	Date of expiry
1968	$ 241,787	1973
1969	678,075	1974
1970	2,863,121	1975
1971	450,575	1976
1972	27,347	1977
	$ 4,260,905	

(d) At November 30, 1972 undepreciated capital cost of depreciable fixed assets exceeds net book value by $1,752,032.

(e) The income tax effect of the matters referred to in paragraphs (c) and (d) has not been recognized in the accounts.

5. LONG-TERM DEBT

	1972	1971
Acklands Limited		
Term bank loans payable $1,428,570 per annum plus interest at 1¼% over prime bank rates (see note 3)	**$ 10,000,000**	
7¾% First Mortgage Bonds, Series A, maturing August 15, 1986, payable $200,000 February 15 and August 15 annually to 1986	**5,600,000**	$ 6,000,000
7½% Unsecured Convertible Debentures Series A, maturing June 15, 1988 having a sinking fund requirement of $500,000 per annum commencing in 1973	**9,472,000**	9,900,000
Non-interest bearing note, payable January 3, 1973	**100,000**	200,000
Subsidiaries		
7% Sinking Fund Debentures		197,000
6% to 10½% Mortgages and agreements payable in monthly instalments	**2,023,546**	1,895,638
	27,195,546	18,192,638
Less principal included in current liabilities	**2,573,884**	997,953
	$ 24,621,662	$ 17,194,685

Principal due within each of the next five years is as follows

1973	$ 2,573,884
1974	2,484,165
1975	2,464,765
1976	2,459,231
1977	2,469,684

6. CAPITAL STOCK

(a) Authorized and issued

	Authorized Shares	Authorized Amount	Issued Shares	Issued Amount
6% Cumulative non-voting first preference shares, par value $25.00 each redeemable at $26.25 each	30,819	$ 770,475	30,819	$ 770,475
Less purchased for cancellation during the year	3,062	76,550	3,062	76,550
	27,757	693,925	27,757	693,925
Non-voting second preference shares issuable in series, par value $16.00 each	910,717	14,571,472		
Series A — 6% cumulative, convertible and redeemable at $17 each	323,267	5,172,272	322,773	5,164,368
Less purchased for cancellation during the year	39,033	624,528	39,033	624,528
	284,234	4,547,744	283,740	4,539,840
Third preference shares, convertible, non-participating, voting, par value $5 each	867,285	4,336,425	867,285	4,336,425
Common shares without par value	2,989,955		1,601,984	6,864,075
				$ 16,434,265

(b) First preference shares

On January 17, 1973 the company called for redemption as of February 28, 1973 all outstanding 6% cumulative, non-voting first preference shares at a redemption price of $26.25 per share plus accrued dividends to that date.

(c) Third preference shares

867,285 Third preference shares are to be converted into 867,285 common shares, in accordance with the conversion rights attached thereto, thereby decreasing the issued and authorized third preference share capital by $4,336,425 and increasing the authorized and issued common share capital by a like amount.

(d) Common shares reserved for issue

	Expiry date	Price	Number of common shares reserved
Upon conversion of 7½% Unsecured Convertible Debentures Series A	June 14, 1978	$ 14.28	663,040
On exercise of share purchase warrants issued with 7¾% First Mortgage Bonds Series A	September 1, 1978	$ 14.29	45,000
			708,040

7. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Conditional sales agreements assigned with recourse and other guarantees total $1,562,378.

(b) Outstanding bank letters of credit and bankers acceptances amount to $778,483.

(c) Leases on certain properties which have been assigned to new occupants have been guaranteed.

(d) There are common share purchase warrants of Acklands (Quebec) Ltd. outstanding which entitle the holders to purchase 8,000 common shares of Acklands (Quebec) Ltd. at $10.00 per share and 10,460 common shares at $15.00 per share both until May 1, 1973.

(e) The company has entered into agreements to acquire, subsequent to November 30, 1972, Kagan's Muffler Installation Ltd., Rapco Limited and Britannia Automotive Limited.

8. LONG-TERM LEASES

The companies have commitments under leases extending through 1995 which, after recoveries from sub-tenants totalling $1,963,916, call for future net rentals of approximately $3,345,000.

Net rentals for each of the next five years are as follows

1973	$ 335,500
1974	267,596
1975	269,320
1976	253,353
1977	232,730

9. EARNINGS PER SHARE

(a) The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

(b) Fully diluted earnings per share for the current year are as follows

Income before extraordinary item	$1.10
Net income for the year	1.73

Fully diluted figures are not presented for 1971 since contingent share issuances would not decrease the earnings per share.

In calculating fully diluted earnings per share the weighted monthly average number of common and third preference shares outstanding in each year has been calculated assuming

(i) full conversion of the convertible debentures and second preference shares on the dates of issue, and

(ii) the exercising of the outstanding common share purchase warrants on the dates of issue.

Net income used in this calculation, both before and including extraordinary items, reflects a reduction in interest costs, imputed earnings on exercise of the common share purchase warrants, and the related effect on income taxes resulting from the above assumptions.

10 Year Summary

Notes

1. The calculation of basic earnings per share has been made using the weighted monthly average number of common and third preference shares outstanding in each year and the net income of the company, both before and including extraordinary items, and after first and second preference share dividends.

2. In calculating fully diluted earnings per share the weighted monthly average number of common and third preference shares outstanding in each year has been calculated assuming:
   (a) full conversion of the convertible debentures and second preference shares on the dates of issue, and
   (b) the exercising of the outstanding common share purchase warrants on the dates of issue.

Net income used in this calculation, both before and including extraordinary items, reflects a reduction in interest costs, imputed earnings on exercise of the common share purchase warrants, and the related effect on income taxes resulting from the above assumptions.

Where fully diluted earnings per share figures are not presented, it is because contingent share issuances did not have any adverse effect on earnings per share.

3. The decrease from 1966 was caused by the creation of 1,857,240 convertible third preference shares in 1967.

	1972	1971*
SALES	**$142,379,712**	$123,811,177
DEPRECIATION	**850,665**	1,050,969
INTEREST ON LONG-TERM DEBT	**1,321,993**	1,395,118
EARNINGS FOR THE YEAR		
Including extraordinary items	**5,654,370**	1,197,590
Before extraordinary items	**3,486,645**	861,120
DIVIDENDS		
Preference Shareholders	**589,725**	53,904
Common Shareholders	—	—
WORKING CAPITAL	**34,136,083**	23,397,973
FIXED ASSETS, net	**14,425,869**	13,175,725
LONG-TERM DEBT	**24,621,662**	17,194,685
SHAREHOLDERS' EQUITY	**24,517,691**	20,023,029
TOTAL ASSETS	**80,899,859**	72,921,270
EARNINGS PER SHARE (see notes)		
Including extraordinary items		
Basic	**2.16**	.35
Fully diluted	**1.73**	
Before extraordinary items		
Basic	**1.28**	.22
Fully diluted	**1.10**	
DIVIDENDS PAID PER COMMON SHARE	—	—
EQUITY PER SHARE (Combined Common and Third Preference Shares)	**7.81**	5.60
NUMBER OF BRANCHES	**196**	191

*As of March 31, 1972

1970*	1969*	1968*	1968*	1966	1965	1964	1963
129,362,581	$134,900,759	$116,705,941	$ 84,834,234	$ 19,838,899	$ 16,899,600	$ 12,578,025	$ 12,272,781
938,745	812,471	768,405	686,758	222,874	129,921	85,530	64,677
1,432,478	1,533,010	1,019,184	538,647	153,906	128,663	109,718	104,783
(3,755,240)	1,673,901	2,420,819	1,655,088	451,955	286,243	183.235	169,466
(3,823,163)	1,221,072	1,174,088	365,088	451,955	286,243	183,235	169,466
411,881	411,214	202,110	59,082	59,731	60,000	60,000	60,000
381,558	356,615	170,354	83,197	58,018	45,848	45,848	40,230
25,782,481	30,115,230	28,996,843	13,220,099	3,521,439	3,319,127	2,864,230	2,421,916
14,071,648	13,118,526	13,544,421	10,157,540	2,741,504	2,770,064	1,913,436	1,784,826
18,167,639	18,650,778	19,291,258	8,430,044	2,431,154	2,644,004	1,565,192	1,408,798
22,120,777	25,182,041	23,117,447	15,494,886	4,055,455	3,628,889	3,448,494	3,121,107
76,982,258	87,867,565	79,223,651	55,653,611	12,232,692	11,062,262	8,693,763	8,394,397
(1.69)	.51	.91	.72	.81	.49	.27	.27
		.86	.70	.67	.39	.27	.27
(1.72)	.33	38	.13	(note 3) .81	.49	.27	.27
			.12	.67	.39	.27	.27
.24	.24	.16	.16	.12	.10	.10	.10
5.12	6.96	6.50	6.10	6.34	5.73	5.34	5.27
179	211	204	150	36	33	30	27

*Results for the years 1967-1971 inclusive, have been restated to retroactively reflect income tax reassessments.

British Columbia

Accurate Pre-Hung Door
Vancouver .... L. Nygren

Acklands Contract & Builders Hardware
Vancouver .... N. Chilton

Acklands Limited
Burnaby .... C. Hummel
Campbell River .... N. T. Bjarnason
Chilliwack .... J. Milino
Cranbrook .... A. Gordon
Dawson Creek .... L. Stefanyk
Fort St. John .... L. E. Foster
Golden .... J. Stewart
Kamloops .... L. J. Fitchett
MacKenzie .... Dick Campbell
Nanaimo .... L. M. Hole
Nelson .... J. L. Miller
New Westminster .... A. E. Stenning
Penticton .... D. Scott
Port Alberni .... T. J. Aker
Prince George .... V. Russman
Prince Rupert .... A. Majore
Quesnel .... Dave Gibson
Revelstoke .... C. Phillips
Richmond .... C. L. Brown
Sparwood .... K. David
Terrace .... H. Young
Trail .... R. J. Hackenschmidt
Vancouver
- 1100 Venables Street .... M. N. Clark
- 8865 Osler Street .... C. A. Mayes
- 55 East Cordova Street .... D. S. Sinclair
- 110 West 4 Avenue .... K. R. Turner
- 1380 Pemberton Avenue .... R. J. Kelly

Victoria .... D. Annear
Williams Lake .... D. A. Cameron

Canadian Electronics
Chilliwack .... J. Milino
Kamloops .... K. Blampied
Nanaimo .... D. R. Brown
New Westminster .... J. Douglas
Penticton .... J. D. Strobl
Prince George .... W. Hall
Terrace .... H. Young
Vancouver
- 1016 Richards Street .... T. Pashak
- Refrigeration Division .... A. S. Reynolds

Victoria .... D. E. Clark

Johnson Appliances
Vancouver .... P. J. Van Kleek

Major Appliances
Vancouver .... J. K. Bannister

Mercury Marine
Vancouver .... J. L. Harvey

Taylor, Pearson & Carson
Vancouver
- Marine & Turf Division .... R. J. Crowe
- Record Division .... R. B. Ayres

Tru-Bilt Industries
Vancouver .... J. Rowe

Western Warehouse Distributors
Kamloops .... L. J. Fitchett
Prince George .... V. Russman
Vancouver .... M. N. Clark
Victoria .... D. Annear

Westward Distributors
Vancouver .... N. F. J. Callaway

Alberta

Acklands Limited
Blairmore .... W. Field
Calgary
- 4124-9 St. S.E. .... A. Strachan
- 2918-11 St. S.E. .... J. Watson

Camrose .... B. Risdale
Drayton Valley .... R. Dombrosky
Edmonton
- 9515-63 Avenue .... M. T. Anker
- Rental Division: 9515-63 Avenue .... C. Knull
- 10309-107 Street .... W. Fedorak
- 14540-115 Avenue .... E. Watson
- 7331-104 Street .... A. Locken
- 12255 Fort Road .... P. Lanctot

Edson .... R. J. Admundsen
Fox Creek .... K. Bliss
Grande Cache .... B. Delisle
Grande Prairie .... R. Jones
Hinton .... Gordon Ireland
Lacombe .... Hans Spelt
Lethbridge .... Arnold Dixon
Lloydminster .... W. Campbell
Peace River .... Douglas Alm
Red Deer .... A. L. Stambaugh
Rocky Mountain House .... D. Loucks
Slave Lake .... R. D. Wright
Stettler .... J. R. Snyder
Taber .... R. McGregor
Whitecourt .... M. Clarke

Canadian Electronics
Calgary .... Ron Elliott
Edmonton .... M. J. Poissant
Lethbridge .... G. R. Gorzitza
Lloydminster .... R. Gardiyash
Red Deer .... D. Crawford

Major Appliances
Edmonton .... R. G. Busch

Taylor, Pearson & Carson

Calgary
- 4519-12th Street N.E. ....R. K. Hoffman
- 4340 Manhattan Road S.E. ....J. E. Dryden
- Machine Shop ....B. Curtiss
- 516-16 Avenue N.W. ....T. Heath
- 3515-17th Avenue S.W. ....A. Cipperley
- Record Division, 538-42nd Avenue ....G. Chow

Claresholm ....Don Busch

Edmonton
- 6906-82nd Avenue S.E. ....R. W. Slobinyk
- 11905-111 Avenue ....K. J. Kiraly
- 11809-66 Street ....J. Molofy
- 16720-111 Avenue ....J. Schatkoske
- 7003-104 Street ....W. E. Saunders
- Machine Shop, 11015-120 Street...R. D. Penman

Medicine Hat ....F. J. Reynolds
Red Deer ....W. Read
St. Paul ....N. A. Hancock
Westlock ....L. J. Birnie

Western Warehouse Distributors

Calgary ....J. E. Dryden
Edmonton ....K. J. Kiraly

Westward Power Equipment

Edmonton ....E. H. Martin

Saskatchewan

Acklands Limited

Assiniboia ....G. Colenutt
Canora ....E. Blahut
Esterhazy ....M. Geiger
Estevan ....P. Pfeifer
Hudson Bay ....G. Tourand
Humboldt ....H. Zirk
Kindersley ....G. Beamish
Lanigan ....J. Schatz
Meadow Lake ....A. Doidge
Melfort ....S. Bartlette
Moose Jaw ....M. Blanch
Moosomin ....G. Ewen
Nipawin ....L. Swaney
North Battleford ....D. Sparrow
Outlook ....L. Strouts
Prince Albert ....R. Wood

Regina
- 611 Dewdney Avenue ....J. Brill
- 1101 Scarth Street ....J. Davison
- Body Shop ....N. Bobowski

Rosetown ....R. Peterson

Saskatoon
- 102 Avenue D North ....F. Tomkewich
- 1002 Ewant Avenue ....M. West
- 1402 Quebec Avenue ....K. Javens

Swift Current ....G. Hebert
Tisdale ....J. Duerr
Unity ....B. Schafer
Weyburn ....B. Freistadt
Yorkton ....R. Baker

Ashdown's

Moose Jaw ....L. Temple

Powertown

Swift Current ....W. Walker

Western Automotive Rebuilders

Saskatoon ....A. H. Main

Western Warehouse Distributors

Regina ....J. Davidson
Saskatoon ....L. Utigard

Westward Distributors

Saskatoon ....T. Stokes

Manitoba

Sales Manager ....A. G. Harbor

Acklands Limited

Brandon
- 1212-18th Street ....O. Reiffenstein
- Automotive, 609 Pacific Avenue ....B. Davis
- Body Shop Supply ....M. Repin

Dauphin ....Bill Smigelski
Flin Flon ....Vern James
Killarney ....B. Cadoreth
Lynn Lake ....Sheldon Leblanc
Neepawa ....N. Hasiuk
Selkirk ....Roland Dupasquier
The Pas ....R. Quaal
Thompson ....B. Woods
Transcona ....D. Rondeau
Virden ....D. Heaman

Winnipeg
- 125 Higgins Avenue ....Roy James
- 745 Bradford Street ....Aime Le Bleu
- Body Shop Supply ....Robert Cote

Canadian Electronics

Winnipeg ....E. Tackaberry

Gillis & Warren

Dauphin ....N. Prokopchuk
Fort Garry ....W. Freres
Portage la Prairie ....P. Fidelak
St. Boniface ....G. Rajotte
Swan River ....G. Cowan

Winnipeg
- 1340 Sargent Avenue ....K. Clark
- Machine Shop ....G. Johnson
- 1126 Main Street ....Sid Lewis
- 2577 Portage Avenue ....Grant Shaw

H. C. Paul

Winnipeg ....H. C. Paul

Major Appliances

Winnipeg ....Chas. Smith

Mc & Mc Metals

Winnipeg ....Paul Worster

Powertown
Lynn Lake .... G. Davey
Winnipeg .... O. Lilke

Western Warehouse Distributors
Winnipeg .... D. Mitchell

Westward Distributors
Winnipeg .... B. Thomas

Ontario

Acklands Limited
Brantford .... D. Falle
Dryden
- King & Earl .... P. Collins
- 119 Colonization Avenue .... V. Skillen

Fort Frances .... J. Cooper
Hamilton .... N. F. Jefferson
Kenora .... J. Brinkhurst
Kirkland Lake .... G. Ryan
London .... T. Matheson
New Liskeard .... E. Lacy
Sarnia .... G. Lavoie
Sault Ste. Marie .... L. Hannah
St. Catharines .... J. Price
Sudbury .... K. McKinnon
Thunder Bay
- 831 May Street N. .... S. Lawrence
- Machine Shop .... W. Graham

Timmins .... L. Luxmore
Toronto .... W. C. Philpott

Gillis & Warren
Thunder Bay .... A. Hope

Leisure Products
Hamilton .... Tom MacKay

Marshall-Ecclestone
Timmins .... E. Kent

Mines Assay Supplies
Kirkland Lake .... G. Ryan

Steel Distributors
Toronto .... P. Peckham

Tradeway
Rexdale .... B. Roper

Western Warehouse Distributors
Thunder Bay .... A. Hope

Westward Distributors
Rexdale .... C. Code

Quebec

Acklands Limited
Amos .... G. Belhumeur
La Sarre .... F. Cossette
La Tuque .... R. Vincent
Lorrainville .... J. P. Gironne
Matagami .... D. Morissette
Montreal
- 2430 Laurentian Blvd. .... R. Quinton
- 7506 Viau .... D. T. Langton

Rouyn .... G. Baribeau
Shawinigan .... M. Gelinas
Trois Rivieres .... J. Chamberlain
Val D'Or
- 400 Centrale .... H. Fortin
- 1336 Harricana Avenue .... K. Burke

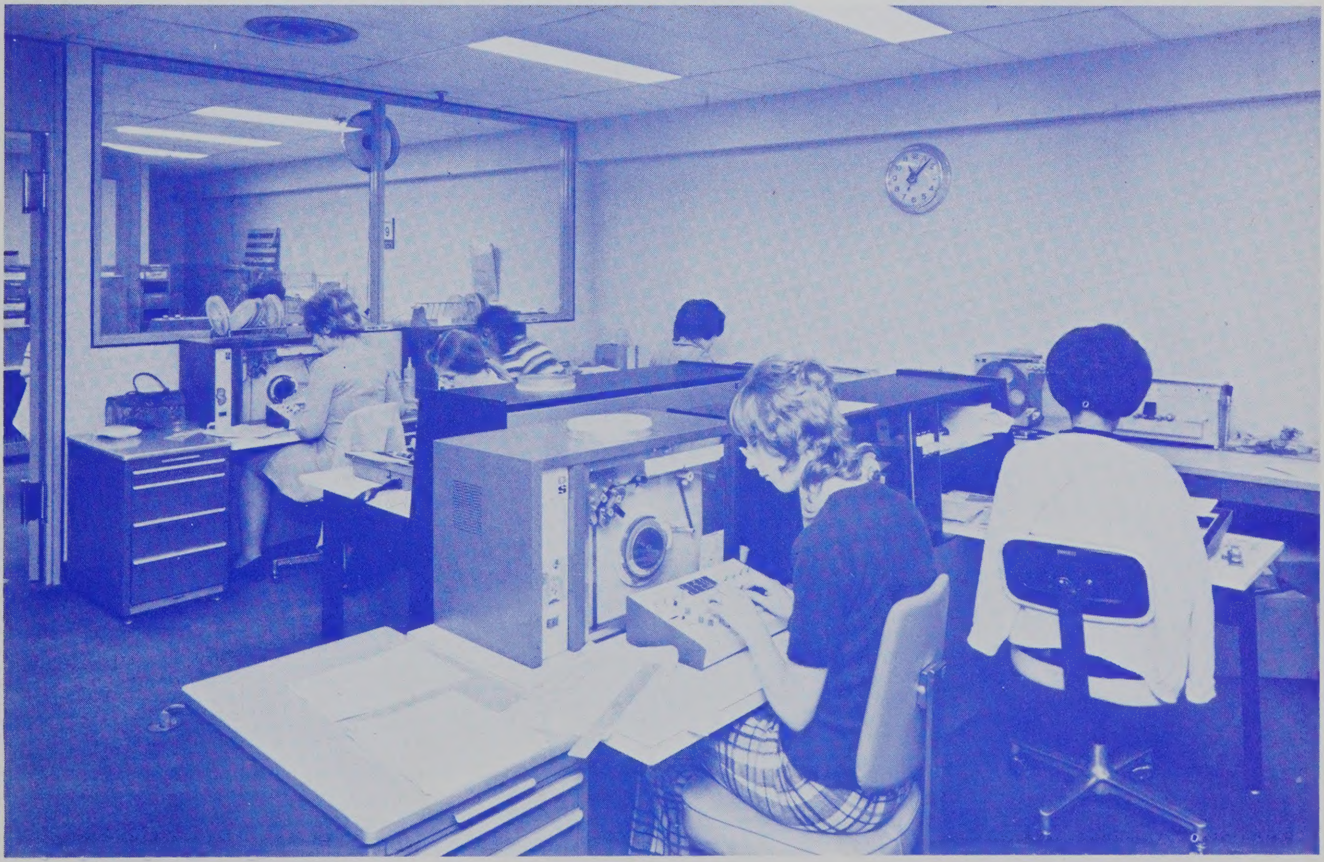
Western Warehouse Distributors
Montreal .... G. Patenaude

United States

Peerless International Incorporated
Atlanta, Georgia .... R. W. Wickersham

One of the popular leisure products distributed by Acklands.

The Mackie Data Centre — Winnipeg.



ACKLANDS LIMITED

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